

**SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003  
JUNE 2004**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
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SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**EXECUTIVE SUMMARY**

The following areas have been identified in our audit for the fiscal year ended June 30, 2003 as requiring management's attention.

The Providence County Sheriff's office does not have a policies and procedures manual for use by employees.

There is no cash receipts journal maintained for the Service Fee fund. As a result, deposits made directly into the general fund are not reconciled to the state controllers' records, and bank reconciliations are not performed to reconcile cash to its imprest balance.

There is no formal general ledger accounting system in use for the service fee fund. Consequently, accountability for transactions is performed primarily through the use of a checking account while control over cash is focused upon the bank reconciliation process.

An accounts receivable control account is not used to monitor the accuracy of postings made to the accounts receivable subsidiary ledger. The absence of this vital control diminishes the effectiveness of the present system and impedes efforts to monitor the accuracy of subsidiary account postings.

Expense summaries submitted to the general fund for reimbursement were not adjusted for voided checks and did not include bank service charges. As a result, the service fee cash account was over reimbursed by \$1,301.36.

The office maintains a \$150 petty cash fund. Our cash count indicated that the fund is short by \$30.30 and that there are unreimbursed receipts dating back to April 1, 2002.

SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

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June 8, 2004

Mr. Gary P. Dias  
Executive High Sheriff of Providence County  
250 Benefit Street  
Providence RI 02903

Dear Sheriff Dias:

We have completed an audit of the Sheriff of Providence County for the fiscal year ended June 30, 2003 in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Management's response to our recommendations is included in this report.

In accordance with Section 35-7-4 of the General Laws, we will review the status of the department's corrective action plan within six months from the issue date of this report.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM  
Acting Chief, Bureau of Audits

FJC:pp

SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**INTRODUCTION**

**Objectives, Scope, and Methodology**

The scope of our audit was to review and test the cash transactions and operating practices followed for the fiscal year ended June 30, 2003. Our objectives were to determine whether the Providence County Sheriff's Office is operating in compliance with applicable state laws and established rules and regulations; the accounting system used is adequate and the procedures followed are efficient and effective; all cash transactions are properly accounted for within the financial accounts and records maintained; controls are in place to sufficiently safeguard and protect assets; and the financial statements for the fiscal year ended June 30, 2003 are presented fairly.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and performed tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

To achieve our objectives, we reviewed relevant policies and procedures, state laws and regulations; interviewed personnel; and performed audit tests and analytical procedures applied to data provided.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond within 60 days to all recommendations in this report. Management's response to our recommendations is included in this report.

**Background**

As attaches of the courts, the Sheriffs or their deputies attend all sessions of the supreme, superior, family, and district courts, and the workers' compensation court as requested by the chief judge. The sheriffs also attend the General Assembly when it is in session. Additionally, they execute all writs of process, both civil and criminal; summon witnesses to appear in court, transport prisoners and defendants to court and to state institutions, collect fees for services performed as officers of the court; and perform all other duties assigned to them by law.

The division of sheriffs is a program within the department of administration and is headed by an administrator and an executive high sheriff who are both appointed to ten-year terms by the director of the department of administration with the consent of the Governor. County sheriffs and their deputies are also appointed by the director of administration for a period of ten years and are subject to the supervision of the administrator.



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Mr. Gary P. Dias  
Executive High Sheriff of Providence County  
State of Rhode Island

We have audited the accompanying financial statements of the Sheriff of Providence County as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Providence County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the agency funds of the Sheriff of Providence County at June 30, 2003, and the cash receipts and disbursements for the year then ended in conformity with generally accepted accounting principles.

Frank J. Collaro, Jr., CFE, CGFM  
Acting Chief, Bureau of Audits  
January 9, 2004

FJC:pp

**SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
BALANCE SHEET  
June 30, 2003**

	<u>Service Fee Fund</u>	<u>Imprest Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 3,126.97	-	3,126.97
Imprest Cash	150.00	-	150.00
Accounts Receivable	<u>6,873.03</u>	<u>-</u>	<u>6,873.03</u>
<b>Total Assets</b>	<u>\$ 10,150.00</u>	<u>-</u>	<u>10,150.00</u>
<b><u>Liabilities</u></b>			
Advance From General Fund	\$ 10,150.00	-	10,150.00
<b>Total Liabilities</b>	<u>\$ 10,150.00</u>	<u>-</u>	<u>10,150.00</u>

See accompanying notes to financial statements.

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**SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2003**

<u>Cash Receipts</u>	<u>Service Fee Fund</u>	<u>Imprest Fund</u>	<u>Total</u>
Advance From General Fund	\$ 6,500.00	-	6,500.00
General Fund Reimbursements	62,686.18	-	62,686.18
Transfer From Imprest Fund	1,000.00	-	1,000.00
Service Fees	4,907.75	-	4,907.75
Void Checks	-	659.10	659.10
<b>Total Cash Receipts</b>	<u>75,093.93</u>	<u>659.10</u>	<u>75,753.03</u>
 <u>Cash Disbursements</u>			
Refunds	69,148.21	-	69,148.21
Witness Fees	435.80	-	435.80
Moving Expenses	1,070.85	-	1,070.85
Collection Fees	3,723.55	-	3,723.55
Miscellaneous	811.90	-	811.90
Bank Charges	1,226.65	-	1,226.65
Transfer to General Fund	9,299.32	391.21	9,690.53
Transfer to Service Fee Fund	-	1,000.00	1,000.00
<b>Total Cash Disbursements</b>	<u>85,716.28</u>	<u>1,391.21</u>	<u>87,107.49</u>
Deficiency of Cash Receipts Over Cash Disbursements	(10,622.35)	(732.11)	(11,354.46)
Cash Balance, July 1	<u>13,749.32</u>	<u>732.11</u>	<u>14,481.43</u>
Cash Balance, June 30	<u>\$ 3,126.97</u>	<u>-</u>	<u>3,126.97</u>

See accompanying notes to financial statements.



SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**NOTES TO FINANCIAL STATEMENTS**

**Note 1- Significant Accounting Policies**

Fund Accounting

The accounts of the Providence County Sheriff's Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. Only the agency funds are presented in the accompanying financial statements. A description of these funds is as follows:

Agency Funds - are used to account for assets held by the Sheriff as an agent for individuals, private organizations, the general fund, and/or other funds. The two types of agency funds maintained are:

Service Fee Fund - is used to account for monies received for the execution of writs, services performed as an officer of the court, and other duties assigned by law.

Imprest Fund - is used to disburse witness fees and other third party expenses in advance of the service of writs. Expenses paid are subsequently reimbursed by the Service Fee Fund and billed to attorneys or others.

Basis of Accounting

The accompanying financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency funds are custodial in nature; accordingly, at any given point in time, total assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held.

**Note 2 – Accounts Receivable**

Account receivables are comprised of various fees that are due from attorneys and others. The present accounting system does not generate an accounts receivable control, which precludes allocating the changes in the account between balance sheet accounts.

**Note 3 – Advance From General Fund**

This account represents a non-current liability established to provide the necessary working capital to operate the Service Fees Fund.

SHERIFF OF PROVIDENCE COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**FINDINGS AND RECOMMENDATIONS**

**Policies and Procedures Manual**

The Providence County Sheriff's Office does not have a policies and procedures manual as required by Section 42-8.1-17 of the Rhode Island General Laws. A policies and procedures manual would provide management and employees with a systematic approach to the implementation of policies, plans, and work routines. Further, a properly developed manual would convey management's philosophies, improve communications, improve productivity, reduce training time, and strengthen overall operations.

Before organizing and compiling information for the manual the following steps should be considered:

- Select the appropriate personnel who will have the authority and the responsibility for preparing specific sections of the manual and who will have ultimate authority over the entire manual.
- Determine the desired content of the manual.
- Outline the major sources of information for the manual.
- Determine a prescribed communication format to ensure clarity and understanding of the policy and procedure statements.
- Determine the final format and organization of the manual.

**Recommendation**

1. Develop a policies and procedures manual to comply with Section 42-8.1-17 of the Rhode Island General Laws.

**Management's Response:** Accepted

**Changes in Fiscal Management of Funds**

During the fiscal year, the Sheriff's Office changed its established practice from depositing daily cash receipts into the Service Fee checking account to depositing them directly into the general fund. The Service Fee cash account now operates with an established working capital imprest balance of \$10,000 and the Imprest Fund cash account has been closed.

Because a cash receipts journal is not maintained for the Service Fee Fund, deposits made directly into the general fund are not reconciled to the state controllers' records; also, monthly bank reconciliations are not performed to reconcile cash to its established imprest balance.

**Recommendation**

2. Initiate the use of a cash receipts journal to record all cash and to provide a record of deposits that can be reconciled to the general fund.

**Management's Response:** Implemented

**Accounting System**

The Service Fee Fund does not use a formal double entry accounting system. Accountability for transactions is performed primarily through the use of a checking account, while control over cash is focused upon the bank reconciliation process since a formal general ledger is not used. The establishment of a general ledger accounting system would improve accounting and reporting requirements and would also permit management to make informed decisions concerning financial matters.

**Recommendation**

3. Implement a formal double entry accounting system to strengthen internal controls and to improve management accountability.

**Management's Response:** Accepted

**Control Over Accounts Receivable and Payable**

The Sheriff's Office maintains an accounts receivable ledger but does not maintain a control account. The absence of this basic control diminishes the effectiveness of the present system, impedes all efforts to monitor the accuracy of subsidiary postings, and reduces the reliability of account data. In addition, there is no formal accounts payable system in place to account for liabilities for witness fees, moving expenses, or collections.

**Recommendations**

4. Implement the use of an accounts receivable control account to improve and facilitate reconciliations to subsidiary account balances.
5. Perform monthly reconciliations between the subsidiary ledger accounts and the control account.
6. Establish an accounts payable system to properly reflect liabilities.

**Management's Response:** Accepted

## **General Fund Reimbursement**

Our review of expense summaries that had been submitted to the general fund for reimbursement disclosed that reimbursement requests had not been adjusted for voided checks and did not include reimbursements for bank service charges. As a result, the general fund over-reimbursed the Service Fee cash account by \$1,301.36.

### **Recommendations**

7. Reimburse the general fund for \$1,301.36.
8. Process future reimbursement requests net of void checks and include bank service fees.

**Management's Response:** Accepted

## **Petty Cash**

The office maintains an established petty cash fund of \$150 to be used as a change fund for over-the-counter activity. On January 21, 2004 we performed a petty cash count that disclosed cash on hand and unreimbursed receipts totaling \$108.74 and \$10.96, respectively. Therefore, the petty cash fund has a shortage of \$30.30. Our examination indicated that the unreimbursed receipts were dated April 1, 2002, July 9, 2002, and November 13, 2002. Requests for reimbursement should have been processed within their respective fiscal years.

Since the petty cash fund is no longer being used and the office already maintains a \$10,000 imprest checking account that could be used for making minor payments, it appears that this fund is no longer feasible and could be discontinued.

### **Recommendation**

9. Close out the petty cash fund and return all available cash to the general fund, and provide an accounting to the Office of Accounts and Control.

**Management's Response:** Accepted



# State of Rhode Island and Providence Plantations

## Division of Sheriffs

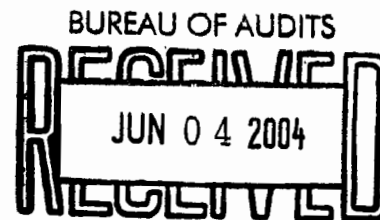
Gary P. Dias, Executive High Sheriff

250 Benefit Street, Providence, R.I. 02903

Tel: (401) 222-3510 Fax: (401) 222-5329

May 17, 2004

Department of Administration  
Bureau of Audits  
Frank J. Collaro, Acting Chief  
One Capitol Hill  
Providence, Rhode Island 02908



RE: Rhode Island Division of the Sheriffs  
Audit of Providence County  
Fiscal Year June 20, 2003

Dear Chief Collaro:

Enclosed please find my response regarding the audit completed for the fiscal year ended June 30, 2003 for the Rhode Island Division of the Sheriffs, specifically addressing Providence County.

### Recommendation

#### #1: Policies and Procedural Manual

Develop a policies and procedural manual as required by Section 42-8.1-17 of the Rhode Island General laws.

#### *Management's Response:*

A policies and procedural manual is presently in the process of being developed for implementation on a statewide basis.

#### #2: Changes in Fiscal Management of Funds

Initiate the use of a cash receipts journal to records all cash and to provide a record of deposits that can be reconciled to the general fund.

#### *Management's Response:* Implemented

#### #3: Accounting System

#### #4,5,6: Control Over Accounts Receivable and Payable

Implement a formal double entry accounting system, an accounts receivable control account, performance of monthly reconciliation between subsidiary ledger and control accounts and establish an accounts payable system.

Department of Administration  
Bureau of Audits  
Frank J. Collaro, Acting Chief  
May 17, 2004  
Response to Fiscal Audit, Providence County

*Management's Response:*

Implementation of a computerized tracking program for writ performance and accounts receivable to be used Statewide is being addressed.

#7,8: General Fund Reimbursement

Reimburse general fund \$1,301.36 and process requests net of void checks and include bank service fees.

*Management's Response:* Reimbursement completed and training addressed for processing of future requests. All bank service fees have been waived by Fleet bank.

#9: Petty Cash

Close out petty cash and return all funds to the general treasurer.

*Management's Response:* Policy/Procedure Number A-15, Imprest Cash Funds, through the Office of Accounts and Control is being reviewed as it pertains to the petty cash funds located in Providence and Kent County. Further development of departmental procurement will expedite the dissolution of this fund(s).

Please feel free to contact my office in regards to this matter.

Sincerely,



Gary P. Dias  
Executive High Sheriff  
Rhode Island Division of the Sheriffs

Cc: Beverly Najarian, Director of Administration  
Honorable Steven M. Costantino, House Finance Committee Chairman  
Honorable Stephen D. Alves, Senate Finance Committee Chariman